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World Financial Markets

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The Asian NICs and U.S. trade

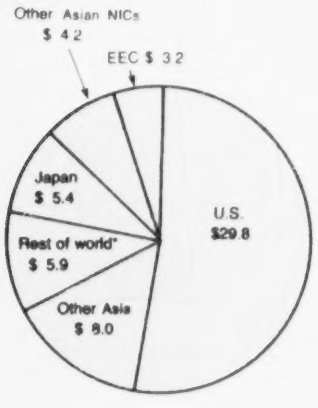
Hong Kong, Korea, Singapore, and Taiwan — Asia's four principal newly industrializing countries (NICs) — have recently caught the limelight on the world trade stage. In the mid-1960s they accounted for less than 2% of world exports; this year their share will reach a remarkable 6½%, of which two-fifths will be sold in the United States. Indeed, the United States serves as their principal outlet, taking $30 billion or 54% of the $56 billion increase in their exports since 1980 (see Chart 1). U.S. imports from the four reached a CIF value of almost $50 billion last year — 13% of all U.S. imports — and were roughly equal to the total of U.S. imports from France, Germany, and the United Kingdom. The Asian NICs are among the few LDCs to whom U.S. exports have increased since the early 1980s. Even so, they purchase only about 9% of all U.S. exports. They therefore accounted for nearly one-fifth of the overall $170 billion U.S. trade imbalance recorded last year.

Not surprisingly, the Asian NICs now figure prominently in the debate on how best to reduce the U.S. trade deficit. These NICs have been pressured to revalue their currencies against the dollar, remove barriers to U.S. exports, and act on long-standing complaints of discrimination and unfair competition voiced by U.S. companies. Section 301 "unfair trade" cases have proliferated, especially against Korea. And some of their U.S. tariff privileges under the Generalized System of Preferences were recently removed.

Collectively, the four Asian NICs are running substantial trade and current account surpluses, not only with the United States but also with the EEC (see Table 1). But their individual positions differ (see Tables 2-5). Hong Kong and Singapore run trade surpluses with the United States, but these are fully offset by deficits with other countries. Taiwan and, to a lesser extent, Korea stand in marked contrast. Each has moved rapidly not only into large bilateral surplus with the United States but also into major overall trade and current account surpluses — gargantuan in the case of Taiwan. Further, despite their still-low market penetration, both countries are posting rising surpluses with Europe. Although still in chronic deficit with Japan, their share of Japan's manufactures imports is rising and they are competing aggressively and successfully against its exports in

Chart 1
Asian NICs

Export growth, 1980-86
$56.5 billion



*Includes Middle East

Table 1

Asian NICs

billions of dollars

	1980	*1985*	*1986*
Exports, FOB	76.4	114.0	131.2
United States	19.0	39.6	49.1
(% of total)	(24.9)	(34.7)	(37.4)
Japan	7.7	11.4	13.1
(% of total)	(10.1)	(10.0)	(10.0)
EEC	12.7	12.3	17.3
(% of total)	(16.6)	(10.8)	(13.2)
Imports, CIF	88.5	107.2	116.1
United States	15.6	18.0	18.8
(% of total)	(17.6)	(16.8)	(16.2)
Japan	20.7	24.5	30.9
(% of total)	(23.4)	(22.9)	(26.6)
EEC	8.8	11.5	14.1
(% of total)	(9.9)	(10.7)	(12.2)
Trade balance	—12.1	6.8	15.1
United States	3.4	21.6	30.3
Japan	—13.0	—13.1	—17.8
EEC	3.9	0.8	3.2
Other countries	—6.4	—2.5	—0.6
Current account balance	—9.0	12.2	22.3

Table 2

Hong Kong

billions of dollars

	1980	*1985*	*Est. 1986*
Exports, FOB	19.7	30.2	34.5
Imports, CIF	22.4	29.7	34.9
Trade balance	—2.7	0.5	—0.4
United States	2.5	6.5	8.1
Japan	—4.2	—5.6	—5.5
EEC	1.8	0.3	1.1
Other countries	—2.8	—0.7	—4.1
Current account balance	—1.3	4.2	2.4

Table 3

Korea

billions of dollars

	1980	*1985*	*Est. 1986*
Exports, FOB	17.5	30.3	35.8
Imports, CIF	22.3	31.1	32.3
Trade balance	—4.8	—0.9	3.5
United States	—0.3	4.3	7.5
Japan	—2.8	—3.0	—5.8
EEC	1.2	0.2	0.6
Other countries	—2.9	—2.4	1.2
Current account balance	—5.3	—0.9	4.7

third-country markets.

Responding to U.S. pressure, the Asian NICs recently have agreed to, and are making some progress in implementing, changes in their exchange rate, trade, and foreign investment policies. Since the beginning of 1986 Korea and Taiwan have allowed their currencies to strengthen against the dollar, but to a degree that leaves both currencies still sharply lower in real terms than at the beginning of the decade. Albeit reluctantly, the two countries are scaling back tariff and quantitative restrictions on a number of U.S. export products, and also are easing some obstacles to foreign investment in services. Further, Korea, Singapore, and Taiwan are legislating more effective protection and enforcement of foreign patents, trademarks, and copyrights.

These policy measures, though welcome, may limit the growth of the trade and current account surpluses of Taiwan and Korea but will not reduce their overall level. Still less will they put a major dent in their bilateral surpluses with the United States. Real progress will require that each country accept and implement a significant macroeconomic policy shift toward domestically generated expansion and pronounced currency appreciation, plus ambitious trade and financial liberalization. Taiwan and Korea should no longer postpone raising their living standards closer to those in industrial countries. Nor, if they truly prize efficiency and international success in the 1990s, should they cling to their existing, anachronistic trade and financial controls. In the near term, expansionary policies and currency revaluation would boost their domestic consumption and investment. If promptly initiated, these could pave the way for noticeable balance of payments adjustment by 1988. Inaction could carry a heavy price: like other countries in surplus, Taiwan and Korea cannot be exempt from contributing significantly to the needed reduction in the U.S. trade deficit — and must be seen to do so. Otherwise, the chances of holding protectionism at bay become increasingly doubtful. The Asian NICs have been obvious beneficiaries of the postwar global trading system. They have more at stake than most in helping avert its breakdown.

Growth through exports

The Asian NICs' growing visibility in international trade stems from their export-oriented economic development strategy. The strategy has brought them tangible benefits despite the ups and downs of the world economy. Real GDP growth has been substantially higher than in LDCs pursuing more inward-looking strategies, leading to higher per capita incomes (see Table 6).

Export-led growth strategies seek to channel investment and human resources into industries with export potential, rather than industries geared primarily to limited domestic markets. Pursuit of comparative advantage with keen cognizance of world market trends is intended to compel domestic efficiency, realize economies of scale, and force producers to innovate. Production for export at the lowest possible cost entails opening the door to imports of needed raw materials, capital goods, and component parts, plus gaining access to foreign technology and marketing skills. Export growth is therefore expected to be accompanied by import growth, with any undue imbalance to be resolved by the foreign exchange market.

The Asian NICs' adoption of export-led development did not follow inevitably from their relatively small populations or scarcity of natural resources. Only in the case of Hong

Table 4

Singapore

billions of dollars

	1980	1985	Est. 1986
Exports, FOB	19.4	22.8	22.0
Imports, CIF	24.0	26.3	25.3
Trade balance	—4.6	—3.5	—3.3
United States	—0.9	0.8	1.3
Japan	—2.7	—2.3	—3.1
EEC	—0.1	—0.5	—0.1
Other countries	—0.9	—1.5	—1.4
Current account balance	—1.5	—0.3	0.2

Table 5

Taiwan

billions of dollars

	1980	1985	Est. 1986
Exports, FOB	19.8	30.7	38.8
Imports, CIF	19.8	20.1	23.6
Trade balance	0.0	10.6	15.2
United States	2.1	10.0	13.4
Japan	—3.2	—2.1	—3.4
EEC	0.9	1.0	1.6
Other countries	0.2	1.7	3.6
Current account balance	—0.9	9.2	15.0

Table 6

Comparative economic growth and export performance

	Average annual percent change, 1976-86		Per capita GDP, 1986 in dollars
	Real GDP	Export volume	
Hong Kong	8.6	8.4	6620
Korea	7.2	13.5	2140
Singapore	6.5	8.3	6560
Taiwan	8.0	13.2	3230
Indonesia	5.5	3.0	450
Malaysia	5.9	6.1	1800
Philippines	2.4	6.2	540
Thailand	6.2	12.0	810
Argentina	0.4	9.0	2290
Brazil	3.4	12.8	1730
Chile	4.6	7.7*	1840
Mexico	3.7	6.6	1370

*1978-86.

Kong did openness flow naturally from its historic role as a free-trade entrepot. The other countries began their postwar development along import-substituting lines, seeking to replace imports of consumer goods with domestic production behind protective barriers. But when the cost and limitations of import substitution became apparent in the early 1960s, these countries — unlike most other LDCs — made a conscious decision to switch tracks. Singapore moved rapidly toward free trade; Korea and Taiwan took the more cautious approach of dismantling specific obstacles and offsetting disincentives faced by export-oriented industries, but at the same time retained import restrictions for the benefit of established producers (especially farmers) geared to the local market.

By the early 1970s, Korea and Taiwan had developed a business environment in which production for export was at least as profitable as production for the domestic market. Exporters enjoyed automatic access to imported inputs duty-free and were exempt from indirect taxes. Similar treatment applied down the production chain to local suppliers of inputs for export industries. Access to working capital and pre-export financing was greatly enhanced. To compensate for remaining disincentives to export, subsidies were granted through income-tax benefits, credit preferences, and favorable utility rates totaling between 15% and 20% of value added in manufactures exports.

Foreign capital and technology played a major role in export-oriented industrialization, albeit in different ways. Hong Kong, Singapore, and Taiwan actively sought out multinational direct investment. Modern technology was acquired through licensing, technical agreements, and imports of the latest machines; also, many U.S. companies were enticed to contract out component parts or finished goods. By contrast, Korea relied mainly on foreign loan capital, maintaining restrictions on foreign ownership, profit remittances, and capital repatriation. The government encouraged local firms gradually to analyze and supplant the elements of imported technology — a policy that has put the country well ahead of the other Asian NICs in technological self-reliance.

In all four NICs, exchange rates gave clear signals, even though the countries chose different exchange and financial regimes. Hong Kong and Singapore maintained convertible currencies and allowed internationalization of their financial markets. Korea and Taiwan kept tight exchange controls and sheltered their domestic financial markets. Yet, all four managed their exchange rates in a manner that successfully underpinned domestic growth and export competitiveness. In 1979, when Korean inflationary pressures began to build and the nation's terms of trade deteriorated because of soaring oil and other commodity import prices, the won was quickly devalued to induce balance of payments adjustment. During 1981-84, not one of the Asian NICs' currencies matched the dollar's appreciation: market forces combined with government intervention to push their currencies lower and maintained their competitiveness on a trade-weighted, inflation-adjusted basis. In 1983 the Hong Kong dollar was marked down (see Chart 2) to accommodate the downward pressure provoked by uncertainty surrounding the return of sovereignty to China. In 1985, when Singapore found its economy sliding into recession as a domestic construction boom petered out, direct investment wilted, and its export markets crumbled in commodity-dependent neighbors, the previous

Chart 2

Hong Kong dollar

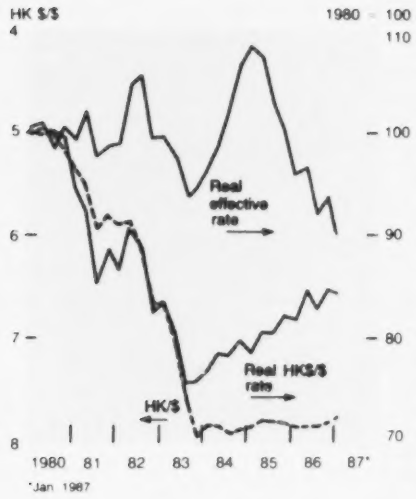
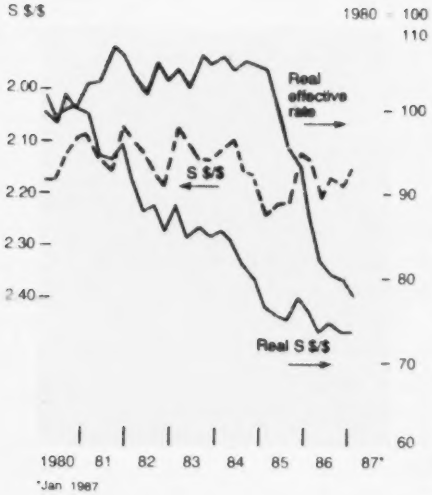


Chart 3

Singapore dollar



strong-currency policy was dropped in favor of substantial depreciation, especially in real effective terms (see Chart 3). This has bolstered both the economy and the balance of payments.

Public policy toward primary input markets, especially labor, assisted the export effort indirectly by providing education and vocational training, offering incentives to upgrade labor skills, and allowing wages to be determined largely through the interplay of supply and demand. Minimum wage legislation was shunned, employee benefits were seldom mandated, and barriers to labor mobility were not erected. As a result, firms chose labor-intensive production methods that put to work large numbers of urban unemployed and migrants from agriculture — plus the flood of refugees in the case of Hong Kong. They also found it advantageous to train workers to master more sophisticated production methods and increasingly modern products. In Singapore, the government went so far as to prod the private sector to raise wages substantially during 1979-81; this was to promote production of exports of higher added value which would require skill upgrading. In the Asian NICs generally, where labor unions had little influence, wage increases were granted competitively with an eye to productivity and profit gains. These practices helped keep inflation moderate, by and large (see Table 7). Productivity gains were remarkable (see Table 8), enabling wages in manufacturing to triple in dollar terms in Korea and Taiwan during the past decade; in real terms they have risen at annual average rates of 7.8% and 7.4%, respectively.

Finally, government macroeconomic policy generally responded to adverse changes in domestic or global economic circumstances. Governments spent heavily on basic infrastructure, such as ports, roads, industrial parks, and telecommunications facilitating export-oriented production and marketing. Still, major budgetary imbalances were avoided by and large even when, as in Korea and Taiwan, substantial tax revenues were devoted to national defense. The short-lived exception occurred in the late 1970s, when Korea embarked on an expensive program of heavy-industry investments in steel, shipbuilding, petrochemicals, and machinery. This required large-scale deficit financing at a time when, as mentioned, the economy faced adjustment to higher import costs and rising inflation.

The role of the public sector as an owner or backer of export-oriented industry also varied from country to country. In Singapore, for example, the government took major equity positions in companies and sought repeatedly to influence investment and other business decisions. To guide industrial development, the Korean government worked closely with about a dozen private-sector conglomerates. Taiwan's government has kept its ownership of commercial banks. The Hong Kong authorities, by contrast, followed laissez-faire policies. But in none of the countries were state-owned companies allowed to distort labor and other markets or burden public finances excessively.

Noninflationary fiscal and monetary policies, and rapid employment and output growth bred by the Asian NICs' export orientation, reinforced the strategy by boosting national savings. These provided funds for investment, enabling industrial capacity to expand still further. Positive real interest rates on financial savings instruments helped keep consumption growth down and savings up. Average national savings rates in Hong Kong, Singapore, and Taiwan came to exceed 30% of

Table 7

Consumer prices

percent change, December-December

	Annual averages			
	1975-79	*1980-84*	*1985*	*1986*
Hong Kong	6.7	10.7	2.6	3.9
Korea	16.8	10.5	3.2	1.3
Singapore	2.7	3.8	0.7	—1.3
Taiwan	6.1	6.5	—1.3	2.8

Table 8

Productivity and real wages in manufacturing

average annual percent change

	Productivity		Real wages	
	1975-1979	*1980-1985*	*1975-1979*	*1980-1985*
Hong Kong	7.9	7.2	5.3	1.7
Korea	6.2	5.6	12.9	4.0
Singapore	4.0	3.0	5.8	6.8*
Taiwan	11.5	4.0	10.8	4.6
Brazil	3.7**	3.2	10.4**	4.3
Chile	0.6	0.6	14.4	—0.2
Mexico	6.0	2.2	2.5	—6.1

*1980-84.
**1976-79.

GNP (see Table 9). Singapore's record-breaking savings rates owe much to a mandatory employee savings plan. National savings have held their own in both Hong Kong and Taiwan, despite considerable decline in their rates of capital formation in recent years. Neither country still needs to borrow abroad. To the contrary, Hong Kong has been exporting capital and Taiwan has amassed huge international reserves. For a decade after the first oil shock, Korea fell short of savings self-sufficiency, borrowing abroad to finance a significant portion of investment. In the past two years, however, Korea's savings have increased significantly.

International trade patterns

Exports of the four Asian NICs — almost entirely manufactures — have grown from $3 billion per annum in the mid-1960s to $131 billion last year. More than ever before, their main outlet now is the United States, where their sales last year represented between one-fourth (for Singapore) and one-half (for Taiwan) of total exports by the Asian NICs, up from a range of 13% to 34% in 1980 (see Table 10). Exports to nearby Japan, in contrast, ranged between 4.5% and 15% of total, much as they did at the beginning of the decade. Europe took in between 11% and 15% of the Asian NICs' exports last year, down from a range of 13% to 24% in 1980. Australia absorbed a scant 2%.

This evolution in the Asian NICs' export orientation has stemmed primarily from the differing growth rates of overall import demand in the principal foreign markets. The U.S. manufactures import market has been conspicuously fast-growing during the 1980s, with imports from all sources up by 135% in dollar value through 1986. Thanks in part to production and marketing arrangements with U.S. companies, the Asian NICs boosted their U.S. sales by 164%, pushing up their market share from 13% of the 1980 total to 14.6% last year (see Table 11). In the generally sluggish Japanese market, whose total manufactures imports rose only 23% in dollar terms over the six-year period, the Asian NICs' sales rose 34%. Their market share in Japan of 14% in 1980 climbed to 15.5% by 1986. Sales to Europe rose only 4% over the six-year period, below the slim growth of Europe's manufactures imports generally and leaving the Asian NICs' share at less than 7%.

Collectively, the Asian NICs' export composition has exhibited rapid change over the years, keeping pace with new trends and the world appetite for such increasingly sophisticated products as consumer electronics, data- and word-processing equipment, and telecommunications and electrical machinery. The Asian NICs are not all alike in this respect, however. Thus, while textiles, garments, and soft consumer goods account for about one-third of total Korean and Taiwanese exports, other Korean exports are more capital- and technology-intensive than those of Taiwan. Korea has been shifting aggressively to production of semiconductors, finished personal computers, office automation products, and VCRs; Taiwan has continued to produce less sophisticated component parts and, for instance, video monitors minimally adapted from existing TV production. Korea makes drilling platforms and is the world's second largest shipbuilder; Taiwan is known mainly for its pleasure craft. Korea also produces heavy machines such as power generators; Taiwan, in general, does not. Indeed, were it not for the assured markets Korea enjoys under the Multifiber Arrangement (MFA), the country probably

Table 9

Investment and savings

percent of GNP in current prices

	Gross investment*	Gross savings	
		National	Foreign**
Hong Kong			
1975-79 avg.	26.3	35.0	—8.7
1980-84 avg.	29.4	32.3	—2.9
1985	19.8	31.4	—11.6
1986	20.4	29.7	—9.3
Korea			
1975-79 avg.	30.0	25.4	4.6
1980-84 avg.	30.6	23.2	7.4
1985	31.2	28.1	3.1
1986	31.4	34.2	—2.8
Singapore			
1975-79 avg.	37.9	30.3	7.6
1980-84 avg.	46.8	38.7	8.1
1985	42.3	41.8	—0.5
1986	44.5	46.7	2.2
Taiwan			
1975-79 avg.	30.5	32.4	—1.9
1980-84 avg.	26.9	32.2	—5.3
1985	17.6	33.6	—16.0
1986	16.5	37.5	—21.0

*Gross capital formation.
**Measured by net exports plus net factor payments abroad in national income accounts data.

Table 10

Industrial-country shares in Asian NICs' trade

as percent of total exports and imports

	Exports		Imports	
	1980	1986*	1980	1986*
Hong Kong				
United States	26.2	31.9	11.8	8.5
Japan	4.6	4.5	23.0	20.2
EEC	23.6	15.3	12.5	12.0
Korea				
United States	25.3	39.7	21.9	20.8
Japan	17.4	14.9	26.3	34.3
EEC	16.5	13.5	7.6	13.2
Singapore				
United States	12.7	23.4	14.1	15.2
Japan	8.1	8.5	17.8	19.7
EEC	13.9	13.4	11.5	12.1
Taiwan				
United States	34.1	48.2	23.7	22.4
Japan	11.0	11.2	27.1	33.0
EEC	12.6	11.0	8.1	11.1

*January-September for Taiwan; January-October for Hong Kong and Korea; and January-November for Singapore.

no longer would be exporting as much as the $7 billion in clothing and textiles it sold abroad last year, more than half to the United States.

Lately, Korea has captured attention in its new role as automobile exporter — especially to North America. Korea's long-protected car assembly industry stagnated until recently because it could sell domestically less than 100,000 high-cost, outmoded autos per annum. Since 1983, however, Korea's investment and technical cooperation agreements with Japanese and U.S. companies have resulted in enlarged, modern facilities geared to the export of low-cost, style-conscious cars. Last year, auto production in Korea rose to 455,000, of which two-thirds were exported — 204,000 to the United States, 65,000 to Canada, and a mere 28 to Japan. This year, perhaps 860,000 autos will be produced, again largely for sale abroad, with 470,000 targeted for the U.S. market. To be sure, Korean carmakers currently rely on imported (mainly Japanese) parts to satisfy foreign quality, safety, and emission standards. Imports of car parts jumped from $170 million in 1984 to $320 million last year. But this cost, and the associated royalty and dividend payments, is small — even transitory, given Korea's emphasis on increasing local content — compared with the visible employment and hard-currency benefits of exports that earned the country $1.3 billion in 1986.

In contrast to their successful export drive, the Asian NICs' own appetite for imports has grown comparatively slowly. Their imports have risen only 31% over the 1980-86 period and their purchases remain concentrated in Japan, which supplies between one-fifth and one-third of their total imports. Japan's share has not changed much since 1980. The U.S. share in their imports also has remained steady at around 17%. Still, the asymmetry between the Asian NICs' export-market and import-source orientation has led to hefty bilateral trade imbalances. In 1980, the Asian NICs' bilateral surplus with the United States approached $3½ billion, while their deficit with Japan was $13 billion (see Table 1). By 1986 these imbalances had widened to a surplus of more than $30 billion with the United States and a deficit of nearly $18 billion with Japan.

The worsening of bilateral imbalances owes much to factors beyond the Asian NICs' control: faster growth of U.S. demand relative to Japan, loss of U.S. competitiveness during the years of dollar strength, and much readier access to the U.S. market than to the barrier-ridden Japanese market. The past two years' appreciation of the yen has the potential to narrow the bilateral imbalances by discouraging the Asian NICs' imports from Japan. The weaker dollar, by the same token, could encourage the Asian NICs to buy more from the United States — but it also could result in still higher exports to the United States if they succeed in displacing manufactures imports presently sourced from Japan. Korea, which has consciously developed industrial capabilities paralleling those of Japan, is well positioned to take U.S. market share away from Japan.

In their overall trade balances, as noted earlier, Hong Kong and Singapore diverge sharply from Taiwan and Korea. Over the last three years, Hong Kong has maintained approximate balance in its merchandise trade and Singapore has posted a deficit. Quite differently, Taiwan and Korea have been recording growing, and by now enormous, surpluses. Taiwan's reached $15.2 billion in 1986, the equivalent of about 21% of GNP. Since late 1985, Korea has run in surplus for the first time in its modern history, to the tune of $3.5

Table 11

Industrial-country imports of manufactures

billions of dollars

	1980	*1986**	*% change*
United States			
Total	131.5	310.6	136
From Asian NICs	17.2	45.4	164
(% of total)	(13.1)	(14.6)	
Japan			
Total	40.1	49.2	23
From Asian NICs	5.7	7.6	34
(% of total)	(14.2)	(15.5)	
*EEC***			
Total	178.5	195.3	9
From Asian NICs	12.6	13.1	4
(% of total)	(7.1)	(6.7)	

*January-November at annual rate for the United States and Japan; January-June at annual rate for EEC.
**Excluding intra-EEC trade.

billion, or almost 4% of GNP, in 1986. The surpluses of both Taiwan and Korea will likely swell further this year – perhaps to $18.5 billion and $6.5 billion, respectively (see Table 12).

Policy inertia in Taiwan and Korea

The large overall surpluses of Taiwan and Korea, besides their gross imbalances with the United States, are the logical consequence of the policies each has pursued over an extended period. Curbing these surpluses therefore entails reorientation of those policies, raising complex issues of economic management with inescapable political overtones. Coming to grips with these issues will not be easy. Of its own accord, neither country is likely to move swiftly to correct its external surplus.

Taiwan's surpluses emerged at the beginning of the 1980s and provided a sense of political and economic security amid growing diplomatic isolation and the challenge of China's opening to the West. As the years went by and the surpluses mounted, consideration was given to a policy stance more supportive of domestically generated growth. It never came to pass, however, because of opposition from export industries and a political establishment that is very conservative. Only belatedly, and mainly in response to growing U.S. discontent over the bilateral imbalance, has the Taiwanese government come to recognize that the huge external payments surpluses have to be addressed.

These surpluses stem from a prolonged and by now severe slump in both public and private investment. Remarkably, this has not been accompanied by a fall in national savings. In 1980, a peak year for capital formation, spending for plant and equipment totaled 30% of GNP; by last year, investment outlays were down almost half to 17% of GNP. Meanwhile, national savings averaged over 32% of GNP throughout 1980-86.

The drop in Taiwanese private investment suggests the existence of obstacles to further industrialization. One is the diminutive size of the typical Taiwanese firm: the overwhelming majority are thinly capitalized, have fewer than fifty employees, and record sales of less than $1.5 million annually. Although very successful at labor-intensive production, these small, family-run firms have had difficulty in adopting modern management practices, undertaking sizable and riskier investments, or incorporating more complex technologies. The introduction of sophisticated technology from abroad has been discouraged by inadequate intellectual-property protection. To some extent, investment by foreign firms has helped upgrade local industry, but multinational companies have been drawn to Taiwan mainly for its inexpensive, high quality labor.

Antiquated local financial markets pose another obstacle, failing to finance either maturing smaller companies or venture capitalists. The banking system is virtually entirely nationalized and, though awash with funds, is not encouraged to deliver competitively priced funding to any but the largest, most cash-rich companies. A tradition of short-term lending tied to physical collateral discourages lending to business except for low-risk investments. This tradition penalizes new borrowers by pushing them into an expensive "gray" financial market. Meanwhile, foreign-owned banks have had poor loan-loss experience in Taiwan and are now retrenching rather than competing aggressively with local institutions.

In fiscal policy, Taiwan's central government budget moved from a

Table 12

Trade balances, FOB/CIF

billions of dollars

	1985	*1986*	*Proj. 1987*
Hong Kong	0.5	—0.4	—1.5
Korea	—0.9	3.5	6.5
Singapore	—3.5	—3.3	—4.0
Taiwan	10.6	15.6	18.5

Table 13

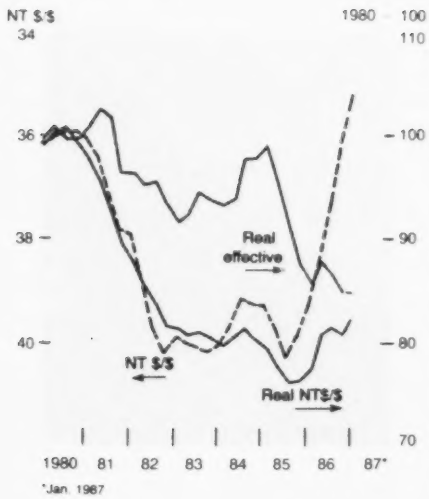
Budget balances

central government, as percent of GNP

	Average 1980-82	*Average 1983-85*	*Est. 1986*
Hong Kong	2.5	—0.9	0.7
Korea	—1.8	0.6	1.4
Singapore	2.1	3.1	2.1
Taiwan	—0.6	0.4	—1.3

Chart 4

New Taiwan dollar



small deficit to a small surplus in early 1984 and remained in the black until last year, when a slight deficit reemerged (see Table 13). Investment by the government and state-owned companies, about half of fixed capital formation in 1980, was slowed and then cut sharply in 1984-85 despite the consequences for aggregate demand. Public investment finally started to rise in mid-1986, and private investment also began to recover, but it is too soon to tell whether either turnaround will prove sizable or enduring. On the monetary side, M2 has rocketed from the equivalent of 60% of GNP in 1980 to 110% at present. The associated drastic fall in the velocity of circulation of the money supply has effectively thwarted the classical adjustment mechanism for a balance of payments surplus: that mechanism would translate excess foreign exchange into increased domestic liquidity, lower interest rates, higher consumption and domestic investment, private capital outflows, and greater import demand.

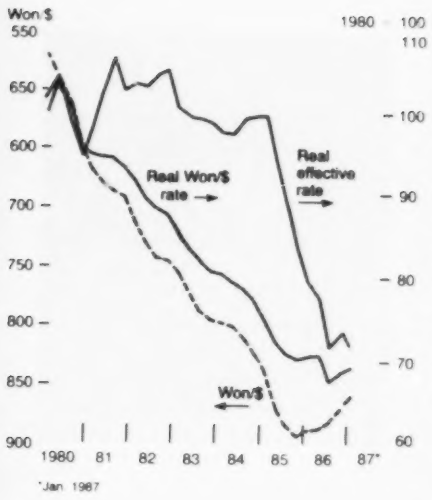
Taiwan's exchange controls and restrictions on imports for local consumption have prevented such adjustments. Individuals and companies are allowed to place only a token of their newfound wealth in overseas financial or nonfinancial assets, and then only through certain intermediaries and for approved purposes. Even remittances to relatives and funds for travel abroad are strictly limited. Meanwhile, import tariffs on goods for domestic consumption are inordinately high. Duties range from 23% to 75% and their differentiation excludes many products. In addition, a 4% harbor tax is assessed against imports and special levies are applied to a number of products (mostly agricultural). Government revenues from customs and harbor duties far exceed income tax collections — a reflection of Taiwan's antiquated tax system.

Yet another reason why Taiwan remains in large and growing external surplus is that the exchange rate for the New Taiwan dollar is not allowed to reflect the excess supply of foreign currency. The Central Bank of China sets the exchange rate and is the buyer of last resort. The NT dollar was devalued from NT 36/$ in 1980 to NT 40/$ in late 1982 and was kept there until late 1985. By that time, official reserves had risen to $22 billion, up tenfold in just five years. Since then, the NT dollar has been allowed to appreciate to NT 35/$ — and official reserves have now reached $50 billion. Because the modest appreciation against the U.S. dollar over the past year has not offset the currency's depreciation relative to the yen and other trading-partner currencies, and because the country has had near-zero inflation, the currency today is 15% more competitive on a real effective basis than it was at the beginning of the decade (see Chart 4); in bilateral trade with the United States, Taiwan is 20% more competitive than in 1980. Not surprisingly, speculation that the NT dollar has nowhere to go but up is making matters worse: it increases the excess demand for the currency as exporters hurry to convert their earnings and importers try to delay payments abroad.

In Korea, the advent of a substantial external surplus — $4.7 billion on current account last year — likewise has been welcomed by the government. It crowns a five-year effort to end the series of current account deficits and heavy external debt accumulation incurred around the turn of this decade. The government is proud that this successful effort has enabled it to begin amortizing foreign debt without recourse to new borrowing, thus starting to reduce the level of foreign debt. Korean data for the first ten months of 1986

Chart 5

Korean won



suggest that the debt level declined by over $2 billion last year, before exchange valuation changes. A goal of further debt reduction is enshrined in the recently released five-year Economic Plan: Korea is projected to continue current account surpluses of the present scale through 1991, both to repay foreign debt and build up foreign assets. The plan targets a $12 billion reduction in gross foreign debt by early 1992, and a cut in the net debt — gross debt less official assets — of $19 billion. This would lower the ratio of gross debt to exports of goods and services to about 70% by 1991, sharply below the present 139%.

The improvement in Korea's external accounts has two main sources. First, lower oil prices and reduced interest payments on the foreign debt contributed $2½ billion last year, or two-fifths of the improvement on current account. Second, national savings have increased more than domestic investment — and volume growth in imports has lagged that in exports — not least because of the government's fiscal policy. The central government's budget, which was virtually balanced in 1985, posted a surplus of approximately 1½% of GNP in 1986. The authorities are comfortable with this fiscal outcome and plan to repeat it this year.

As in Taiwan, Korea's tradition of trade and capital movement restrictions inhibits adjustment to the foreign-currency surplus. Besides the features of the trade policy that continue to favor export-oriented industry, Korea's rules on imports for domestic consumption are needlessly restrictive. A 1983 tariff reform is cutting rates on about two-fifths of total imports from an average of around 23% to 17% by 1988. In addition, many imports subject to license now receive automatic approval. But these are modest and snail-paced steps. Moreover, Korea's tariffs on agricultural commodities and processed foods are as high as 40% to 60%, and beef, citrus fruit, and seafood imports remain subject to bans or quotas. A host of manufactured goods — from competing foreign auto parts to machine tools and personal computers — are kept out through burdensome licensing and administrative requirements. Local producers are further encouraged through so-called localization programs to increase the domestic content of leading exports: currently, for example, preferential credit and other assistance is provided to firms that switch from Japanese to Korean-made inputs in autos, trucks, ships, and electronics.

Exchange controls prevent residents' diversification away from won-denominated financial assets and impede foreign acquisition of won instruments. Korean residents are not permitted to open bank accounts or buy securities or real estate abroad. All dealings in foreign exchange are restricted to approved business activities. Outward direct investment is by permission only and portfolio investment by institutions is effectively prohibited. Restrictions on capital inflows are being cautiously relaxed, yielding some increase in direct investment, but do not yet allow direct foreign purchases of Korean equity or won-denominated securities.

Korea maintains this tough exchange control regime to support its industrial policies generally and to further its strict management of the won exchange rate specifically. Exchange rate policy in 1985 and through mid-1986 pushed the Korean won to its most competitive level in recent history (see Chart 5). During 1985, even as the dollar was moving substantially lower, the won was devalued from W 830/$ to W 890/$ — despite claims that it was being moved in accordance with a

basket of currencies, which should have led to an appreciation against the dollar. At the time, inflation in Korea was as low as in the United States and other major trading partners, so there was no need to compensate for adverse inflation differentials. Even during first-half 1986 as the dollar continued to slide, the won was kept at around W 887/$, boosting Korean competitiveness still further. Only in the past seven months has the Bank of Korea allowed the won to appreciate — albeit very slowly — to a current quote of around W 855/$.

On a real effective basis, however, the won has a very long way to go before it reverses the earlier competitiveness gain — particularly in the Japanese market or third markets in which it competes with Japan — given the past two years' 75% won depreciation relative to the yen. Indeed, the won presently stands some 26% below its 1980 value in inflation-adjusted terms vis-à-vis its trading partners generally; in relation to the dollar, the won is down 28% in real terms. Prolongation of Korea's restrictive fiscal stance and undervalued exchange rate would sustain sizable overall trade and current account surpluses for the foreseeable future, most particularly with the United States. As the full effects of the low-valued won become evident, especially in competition with Japanese and European producers, Korea's overall surpluses may well grow in 1987 beyond not only last year's outcome but also the government's projections.

Recommendations

The strategy of export-led economic growth has transformed the Asian NICs. It has turned backward, agrarian economies such as Korea and Taiwan and former colonial outposts such as Hong Kong and Singapore into modern, dynamic societies with far lower unemployment, and higher, much better-distributed incomes than most resource-rich LDCs. Their successful record offers valuable lessons, especially to debt-burdened countries in Latin America, Africa, and elsewhere in Asia.

The export success of the Asian NICs has relied heavily on easy entry to a rapidly growing U.S. market. All four countries have come to mark up highly visible and still-rising surpluses in their U.S. bilateral trade. Besides the imbalance in their key U.S. relationships, Taiwan and, lately, Korea record outsize trade and current account surpluses with their trading partners as a whole — in Taiwan's case of long-standing and huge proportions. Yet both countries manage their economies much as they did when external deficits were the rule. Basic changes now are overdue, for there is a manifest and growing incompatibility between their established implementation of export-oriented development and their repressed financial markets, restricted import regimes, and heavily managed exchange rates.

Countries in surplus — witness Japan and Germany today — always are slow and reluctant to adjust. Building up a mountain of foreign assets, as Taiwan continues to do, or extinguishing external liabilities, as both Taiwan and Korea are doing, is much less of a challenge than facing up to the structural changes and policy corrections needed to ensure a healthy balance in international trade. Chronic, excessive surpluses serve no productive national purpose. On the contrary, they needlessly postpone improvement of domestic living standards and, by aggravating international trade frictions, jeopardize continued access to foreign mar-

kets. Specifically, these countries would be well advised — in their own self-interest — to adopt fiscal policies that expand domestic demand; allow significant currency appreciation to boost purchasing power and actual living standards; move rapidly toward import regimes with minimal restrictions and uniformly low tariffs of 10% or less; lift exchange controls that block private-sector lending and investment overseas; and free their banking systems and capital markets from crippling regulation. In this light, the token currency appreciation and liberalizing measures announced so far by the governments of Taiwan and Korea fall well short of what the circumstances warrant.

Policy reforms in Taiwan and Korea also would advance their industrial development. To this end, industries that rely on low-skilled, cheap labor need to be phased down in both countries. Taiwan has yet to come to terms with its need to upgrade its industrial base. Korea has made a start on transition to more skill-dependent, higher-value-added manufacturing; unfortunately, its government-orchestrated localization program seeks to promote the industries of its future without weeding out those of its past. Currency revaluation, combined with thoroughgoing trade liberalization, would provide a superior and even-handed approach to identifying activities ripe for development or retrenchment.

Such industrial evolution in Taiwan and Korea would open major opportunities for the poorer countries of Asia and elsewhere. Some, such as Thailand and Malaysia, already evidence export aptitude and have immediate potential to step up manufactures exports. Others, such as Indonesia and the Philippines, possess abundant, underemployed work forces and have to build export capability in manufactures. As they realize such capability, their exports should prosper and their existing import constraints will be relaxed.

The industrial countries have it within their power to encourage rational restructuring in the Asian NICs, specifically by reforming their own perverse trade policies, of which the Multifiber Arrangement (MFA) is an outstanding example. Under the MFA (and other "voluntary" agreements), the major importing countries operate bilateral quotas of Byzantine complexity. The domestic consumer costs are huge. The sole benefits go to established producers in industrial countries, the Asian NICs — whose 1986 exports of clothing and textiles exceeded $20 billion — and those other LDCs that first evolved an export presence. Newly emerging producers are thereby largely excluded from the world export market. The MFA further serves to buttress the textile industry as a net exporter in Japan, where its survival at its present size is particularly hard to rationalize on efficiency grounds. It is unrealistic to suppose that the United States and Europe will abandon textile import control by quota. But there appears little reason to maintain the present increasingly unworkable bilateral arrangements, when nondiscriminatory global quotas (preferably sold by open auction) can protect domestic industry at lower cost to the world economy.

Japan has a vital role to play in the industrial and balance of payments adjustment of Taiwan and Korea. Between 1980 and 1986, Japan absorbed less than one-tenth the total increase in the four Asian NICs' exports, whereas the United States absorbed over half. The problem is not that the Asian NICs have failed to secure a foothold in the Japanese manufactures import market — with the egregious excep-

tion of automobiles — but rather that Japan's imports of manufactures from whatever source grew very little while the yen was undervalued. Now that the yen has strengthened, Japan's imports should rise more rapidly. However, a constructive result — whether for the Asian NICs or the United States — is not assured unless Japan's domestic policies bolster domestic demand more forcefully than hitherto and steps also are taken to undo administrative and other obstacles to imports of finished goods and high-value manufactures. In the European market, whose growth also has been sluggish and protectionism pervasive (as too in Australia), the Asian NICs barely achieve a toehold at present. The prescription for appropriate demand and trade policies in Europe is much the same as for Japan.

The United States should speak out plainly on the need for Taiwan and Korea to change their policies, emphasizing that a visible approximation to reciprocity in commercial relationships among the three nations is a U.S. political imperative. As prominent U.S. trade partners, both Taiwan and Korea are expected to help shoulder responsibility for the maintenance of a liberal trading order, and to make a significant contribution — probably on the order of $15 billion — to U.S. trade deficit correction. Hitherto, negotiations between the United States and the Asian NICs have focused mainly on agricultural trade and intellectual property protection. Important as these topics are for the interests directly concerned, it should be realized that the scale of trade potentially affected is miniscule in relation to the overall U.S. trade imbalance with these and other countries. As President Reagan's Council of Economic Advisers recently noted, the lion's share of U.S. trade deficit correction must come through massive improvement in U.S. manufactures trade. Negotiations with trade partners, including the Asian NICs, therefore should give pride of place to removing obstacles to U.S. manufactures exports and changing policies that skew foreign manufactures exports to the U.S. market. On both counts, Taiwan and Korea have far to go in liberalizing their economies along the lines previously identified. Forthright reforms on their part, together with constructive policy changes in Japan, Europe, and other industrial countries, will enable the United States to reduce its trade deficit without sacrificing economic growth or sheltering its domestic market — the very worst outcomes for the Asian NICs and the world at large.

Statistical appendix

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Effective exchange rates — industrial countries

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Neth-erlands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
Nominal against 15 other industrial-country currencies																
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	96.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	86.7	88.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1985	127.1	92.8	115.8	76.3	85.4	107.8	82.1	86.2	104.2	89.5	104.0	75.6	109.5	95.0	95.6	83.9
1986	106.0	87.6	150.1	61.4	87.4	116.1	82.9	80.7	107.8	92.9	110.3	73.4	118.1	99.7	89.3	81.6
1986																
August	102.3	87.0	161.7	54.2	86.4	117.6	83.7	78.8	108.1	93.4	111.7	74.0	122.7	100.4	86.7	81.0
September	102.2	87.1	160.8	55.1	86.5	116.3	83.9	77.5	108.5	93.8	112.0	73.7	122.7	100.5	86.6	81.0
October	102.1	87.0	158.4	56.8	87.3	119.4	84.4	74.4	109.0	94.3	112.9	73.4	122.3	102.1	85.9	80.8
November	103.5	87.4	152.7	58.1	87.4	119.5	84.4	75.1	109.1	94.2	112.9	72.8	120.4	102.1	84.7	80.8
December	102.5	87.6	152.4	59.0	87.5	120.2	84.6	75.0	109.4	94.5	113.3	72.6	120.2	102.5	83.9	80.5
1987																
January	98.6	88.2	156.4	57.3	87.7	122.9	84.2	75.1	110.6	96.6	114.9	72.0	122.0	104.6	83.8	80.4
December 19	103.1	87.8	151.8	59.8	87.5	119.8	84.4	75.3	109.4	94.3	113.0	72.6	119.2	102.3	84.0	80.7
26	102.8	87.8	152.1	59.6	87.4	120.4	84.7	75.1	109.5	94.6	113.4	72.7	120.6	102.7	83.7	80.4
January 2	100.8	87.2	154.0	58.5	87.2	120.9	84.7	75.5	109.7	94.8	113.8	72.8	120.9	103.2	83.8	80.3
9	100.5	87.7	154.2	58.7	87.0	121.4	84.2	75.2	109.9	95.1	114.2	72.6	120.8	103.3	83.8	80.2
16	98.5	87.9	156.7	56.6	87.3	122.3	83.8	74.6	110.5	96.2	114.9	72.3	122.0	103.8	83.8	79.9
23	97.5	88.1	157.4	56.8	87.6	122.6	83.9	74.9	110.7	96.1	115.2	71.3	122.1	104.3	83.7	79.8
30	96.6	89.0	157.3	56.5	87.9	123.0	84.1	74.5	110.8	96.5	115.4	71.0	122.3	104.7	84.0	79.7
Real against 15 other industrial-country currencies																
1981	100.8	99.5	104.8	102.6	100.0	96.9	98.9	102.5	99.4	101.4	97.1	99.6	98.7	98.9	101.3	101.9
1982	109.3	100.6	92.4	105.7	97.3	99.9	96.5	98.8	101.2	91.9	100.5	99.0	103.0	97.9	103.2	95.6
1983	112.7	102.6	96.8	101.9	94.7	101.0	101.1	93.1	102.0	88.6	100.8	88.9	105.1	100.4	102.0	90.7
1984	119.6	100.2	97.8	106.4	97.0	98.0	101.8	90.2	103.0	85.9	97.8	91.1	100.1	99.2	100.5	96.0
1985	122.5	96.5	96.6	89.5	100.5	96.7	100.2	92.8	103.3	85.3	96.8	92.5	98.0	101.2	99.5	96.9
1986	101.8	93.4	119.3	78.4	102.6	103.6	103.0	87.5	108.7	84.7	101.5	94.8	105.8	107.7	97.1	95.9
1986																
August	98.0	93.2	127.2	70.7	102.3	105.2	104.0	85.8	108.8	84.2	101.4	95.6	109.9	108.4	94.9	95.8
September	97.5	93.5	126.7	71.4	102.4	105.2	104.2	84.4	107.0	84.4	102.7	96.9	110.2	108.8	96.6	95.8
October	97.8	93.7	124.3	73.9	103.5	105.9	105.1	80.9	107.3	84.5	104.4	96.5	110.2	110.7	96.6	94.7
November	99.2	93.9	119.5	76.2	102.8	105.9	105.3	81.8	107.9	84.7	104.3	95.4	108.4	110.9	95.5	95.3
December	98.3	94.2	118.9	78.4	102.3	106.6	105.8	82.2	108.6	84.5	104.3	96.2	108.6	111.5	94.4	95.1
1987																
January	94.2	95.9	121.4	77.0	102.6	109.1	105.8	82.7	110.2	86.2	104.5	96.6	109.4	113.0	94.5	95.8
Real against 18 other industrial-country and 22 LDC currencies																
1981	99.8	99.4	104.7	102.5	99.5	96.2	98.2	102.0	98.9	100.9	96.6	98.9	98.0	98.7	101.3	101.6
1982	109.6	101.8	94.0	105.2	96.9	99.4	98.1	96.5	101.1	91.6	99.5	98.9	102.6	97.7	103.0	95.4
1983	114.9	104.6	100.4	102.1	94.4	100.6	100.8	93.0	102.1	88.2	99.5	89.2	105.1	100.3	101.9	90.9
1984	120.8	102.7	102.4	106.7	96.4	96.8	101.0	89.7	102.7	85.0	95.9	91.3	99 8	99.0	100.5	95.7
1985	124.0	99.2	101.6	90.1	100.0	95.8	99.8	92.3	102.9	84.5	94.8	93.2	97.8	101.2	99.6	96.8
1986	107.3	94.6	124.2	80.5	103.3	104.7	104.4	88.3	107.6	85.2	101.4	97.4	107.7	108.2	97.9	96.6
1986																
August	104.1	94.0	131.8	72.9	103.0	106.6	105.6	86.8	107.9	84.9	101.5	98.3	112.2	109.0	95.9	96.6
September	104.0	94.3	131.9	74.0	103.3	106.9	106.0	85.6	108.2	85.2	103.1	99.8	112.7	109.5	97.6	96.8
October	104.3	94.6	129.7	76.2	104.6	107.8	107.1	82.2	108.7	85.4	105.0	99.6	113.0	111.4	97.5	95.7
November	105.4	94.9	124.6	78.4	103.9	107.7	107.3	83.1	109.3	85.6	104.9	98.4	111.1	111.6	96.4	96.3
December	105.1	95.3	124.3	80.6	103.5	108.7	108.0	83.5	110.1	85.5	105.0	99.6	111.5	112.2	95.3	96.1
1987																
January	101.9	98.8	126.6	79.4	104.1	111.6	108.6	84.2	112.0	87.3	105.7	100.5	112.8	113.8	95.6	97.0

Real effective exchange rates — developing countries

Index numbers, 1980-82 average=100.

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1981	107.8	103.3	108.3	100.6	114.4	103.3	99.7	98.9	99.8	100.3	99.4	101.2	102.0	101.8	99.3	104.7
1982	77.0	112.9	97.3	105.9	82.9	104.6	110.2	101.6	111.7	101.9	105.6	106.7	100.8	96.6	108.6	96.0
1983	71.5	86.2	89.2	104.9	78.8	98.4	117.2	95.8	96.2	97.6	113.9	96.1	101.8	94.5	120.8	93.5
1984	80.1	85.7	90.1	99.6	91.8	105.8	86.0	100.2	96.8	96.5	119.7	107.9	102.4	97.1	119.5	91.1
1985	71.2	85.1	79.7	85.7	90.5	96.3	93.0	104.2	95.8	89.2	116.3	114.6	95.7	94.6	106.8	91.5
1986	61.0	74.1	68.7	67.6	65.2	101.8	86.8	93.9	71.2	73.9	94.2	90.0	80.2	87.4	100.9	71.2
1986																
February	61.7	81.7	67.9	71.2	70.2	91.0	89.7	95.0	82.6	78.0	102.9	94.1	84.8	86.7	100.2	80.3
March	62.0	75.2	67.1	70.7	68.3	90.5	89.1	94.5	80.5	76.9	97.8	91.4	82.7	86.8	99.0	74.4
April	61.8	73.6	68.5	70.1	66.7	93.9	89.7	95.5	80.1	76.6	94.6	89.9	80.9	88.7	100.7	71.9
May	60.8	72.8	68.5	68.1	65.7	95.8	89.8	95.2	78.9	75.1	92.9	88.4	79.1	88.4	101.5	71.4
June	61.3	73.0	70.3	67.7	66.6	99.2	90.2	96.2	79.1	75.4	93.1	87.4	79.3	89.5	101.9	70.9
July	61.5	72.1	69.5	66.7	65.0	101.9	89.7	91.6	76.9	70.7	91.2	87.8	78.6	89.0	101.0	69.8
August	60.9	72.1	67.9	65.8	62.3	104.7	89.5	90.4	75.4	69.8	90.7	85.8	78.5	88.9	99.5	67.8
September	58.7	72.3	67.5	65.4	60.6	108.3	89.5	92.5	60.9	70.4	90.3	86.5	78.1	84.9	100.3	67.4
October	58.7	71.6	67.6	64.7	60.5	111.9	89.4	92.0	54.6	70.6	89.7	88.2	77.7	84.7	100.7	67.7
November	59.4	72.9	68.1	64.8	60.7	116.0	90.7	94.1	55.5	71.9	91.0	88.3	79.0	87.2	102.0	65.8
December	59.2	70.9	68.7	64.3	61.1	122.4	59.8	93.5	55.3	72.2	90.8	88.6	76.4	86.6	102.3	64.8
1987																
January	51.7	65.2	67.7	65.3	57.9	105.1	58.6	89.5	54.6	70.4	88.9	88.0	75.7	86.3	94.8	65.3

International banking market size

at end of period, billions of dollars

	1981	1982	1983	1984	1985			1986	
					Jun	Sep	Dec	Mar	Jun
Gross claims									
Eurocurrencies, on residents and nonresidents	**1 929**	**2 146**	**2 253**	**2 359**	**2 459**	**2 622**	**2 833**	**2 947**	875
On nonbanks	557	634	665	694	735	761	822	854	2 165
On banks	1 372	1 512	1 588	1 665	1 724	1 861	2 011	2 093	**3 040**
In dollars	1 504	1 694	1 797	1 894	1 924	2 002	2 101	2 138	2 166
In other currencies	425	452	456	465	535	620	732	809	874
Domestic currencies, on nonresidents	**365**	**398**	**398**	**402**	**422**	**451**	**506**	**535**	**578**
On nonbanks	128	132	136	142	150	165	187	186	201
On banks	237	266	262	260	272	286	319	349	377
In dollars	188	211	217	215	209	205	215	203	210
In other currencies	177	187	181	187	213	246	291	332	368
Total	**2 294**	**2 544**	**2 651**	**2 761**	**2 881**	**3 073**	**3 339**	**3 482**	**3 618**
On nonbanks	685	766	801	836	885	926	1 009	1 040	1 076
On banks	1 609	1 778	850	1 925	1 996	2 147	2 330	2 442	2 542
In dollars	1 692	1 905	2 014	2 109	2 133	2 207	2 316	2 341	2 376
In other currencies	602	639	637	652	748	866	1 023	1 141	1 242
Gross liabilities									
Eurocurrencies, to residents and nonresidents	**1 954**	**2 168**	**2 278**	**2 386**	**2 471**	**2 641**	**2 846**	**2 964**	**3 059**
To nonbanks	372	432	479	497	520	546	585	610	632
To official monetary institutions	112	91	88	96	106	109	112	106	109
To other banks	1 470	1 645	1 711	1 793	1 845	1 986	2 149	2 248	2 318
In dollars	1 539	1 741	1 846	1 950	1 969	2 045	2 147	2 166	2 204
In other currencies	415	427	432	436	502	596	699	798	855
Domestic currencies, to nonresidents	**263**	**250**	**260**	**280**	**310**	**341**	**377**	**394**	**418**
To nonbanks	74	70	73	80	89	103	114	121	121
To banks	189	180	187	200	221	238	263	273	297
In dollars	126	116	135	148	154	159	169	166	171
In other currencies	137	134	125	134	156	182	208	228	247
Total	**2 217**	**2 418**	**2 538**	**2 666**	**2 781**	**2 982**	**3 223**	**3 358**	**3 477**
To nonbanks	446	502	552	577	609	649	696	731	753
To banks and official institutions	1 771	1 916	1 986	2 089	2 172	2 333	2 529	2 627	2 724
In dollars	1 665	1 857	1 981	2 096	2 123	2 204	2 316	2 332	2 375
In other currencies	552	561	557	570	658	778	907	1 026	1 102
Net market size	**1 155**	**1 285**	**1 382**	**1 430**	**1 497**	**1 572**	**1 676**	**1 735**	**1 800**

International bond issues and bank credits

millions of dollars

	1983	1984	1985	1986			Jan-Dec	
				Oct	Nov	Dec	1986	1985
By country of borrower								
Industrial countries	**102 652**	**177 077**	**226 711**	**23 052**	**22 418**	**21 096**	**270 231**	**226 710**
Australia	5 737	5 816	14 407	3 111	2 094	774	20 106	14 407
Austria	1 290	2 254	2 435	199	178	121	3 581	2 435
Belgium	2 168	1 847	3 269	651	7	178	4 952	3 269
Canada	8 571	13 124	17 184	1 097	2 271	4 425	21 633	17 184
Denmark	3 941	4 825	3 589	1 145	1 263	1 526	9 633	3 589
Finland	1 271	1 713	1 846	400	260	422	3 445	1 846
France	8 626	11 298	18 773	2 195	1 688	1 864	19 701	18 773
Germany	3 197	2 165	3 452	1 101	1 412	324	11 927	3 452
Greece	1 291	1 551	1 587	43	20	143	1 317	1 587
Ireland	1 869	1 377	1 881	541	331	—	4 179	1 881
Italy	4 876	6 933	11 033	505	706	704	12 962	11 033
Japan	14 428	17 526	21 269	4 072	3 295	3 217	35 506	21 269
Netherlands	1 213	1 973	2 299	317	246	335	3 579	2 299
New Zealand	802	3 208	2 707	935	945	1 010	8 078	2 707
Norway	1 969	1 324	3 905	752	848	414	6 644	3 905
Portugal	1 030	1 796	2 382	237	25	31	2 433	2 382
South Africa	1 300	1 422	825	—	—	—	—	825
Spain	4 977	4 931	3 913	644	860	70	7 015	3 913
Sweden	7 144	11 256	9 890	654	368	120	8 020	9 890
United Kingdom	2 726	8 899	25 424	652	960	1 010	24 295	25 424
United States	20 276	65 054	69 193	3 610	4 022	4 051	56 774	69 193
*Other**	3 950	6 785	5 447	192	616	359	4 448	5 447
Developing countries	**38 256**	**39 725**	**32 139**	**1 934**	**1 638**	**2 467**	**24 317**	**32 139**
Latin American countries	**15 592**	**17 464**	**8 115**	**430**	**172**	**274**	**3 192**	**8 115**
Argentina	1 750	4 212	3 700	—	—	—	17	3 700
Brazil	4 475	6 649	—	50	19	150	219	—
Chile	1 405	784	1 085	—	—	—	—	1 085
Colombia	552	589	1 052	—	—	—	89	1 052
Mexico	5 138	3 918	109	—	—	—	313	109
Venezuela	237	—	48	—	—	—	—	48
*Other***	2 035	1 312	2 121	380	153	124	2 554	2 121
Asian countries	**12 978**	**15 893**	**18 410**	**1 128**	**1 120**	**1 699**	**15 291**	**18 410**
India	968	945	818	45	619	50	1 721	818
Indonesia	2 363	1 924	451	—	—	350	1 358	451
Korea	4 387	6 201	5 898	170	195	93	3 134	5 898
Malaysia	2 197	2 605	2 219	523	—	—	1 328	2 219
Philippines	878	925	925	—	—	—	—	925
Thailand	747	1 221	1 497	—	—	358	1 401	1 497
Other	1 438	2 072	6 602	390	306	849	6 350	6 602
Middle Eastern and African countries	**9 686**	**6 368**	**5 613**	**376**	**346**	**495**	**5 834**	**5 613**
Algeria	1 993	821	1 450	—	98	250	1 344	1 450
Nigeria	2 343	985	—	—	—	—	—	—
Turkey	1 106	741	1 203	326	140	220	2 637	1 203
Other	4 244	3 821	2 960	50	108	25	1 853	2 960
Eastern European countries	**1 294**	**3 244**	**5 236**	**166**	**—**	**300**	**4 091**	**5 236**
Hungary	741	1 386	1 577	166	—	—	1 315	1 577
Soviet Union	93	1 051	1 489	—	—	300	1 821	1 489
*Other****	460	807	2 169	—	—	—	955	2 169
International organizations****	**16 201**	**13 287**	**20 635**	**1 663**	**1 451**	**1 991**	**18 916**	**20 635**
By type of instrument and currency								
International bond issues	**76 329**	**107 411**	**167 756**	**20 193**	**18 214**	**13 862**	**226 392**	**167 755**
Eurobonds	48 501	79 456	136 731	15 570	14 944	9 758	187 951	136 730
U.S. dollar	38 428	63 593	97 782	11 123	9 445	5 979	118 220	97 781
German mark	3 817	4 604	9 491	1 377	1 002	298	16 870	9 491
British pound	1 947	3 997	5 766	144	—	346	10 510	5 766
Japanese yen	212	1 212	6 539	1 477	1 470	1 660	18 673	6 539
European composite units	2 019	3 032	7 038	162	842	615	6 965	7 038
Other	2 078	3 020	10 114	1 288	2 186	859	16 713	10 114
Foreign bonds	27 828	27 953	31 025	4 623	3 270	4 105	38 441	31 025
U.S. dollar	4 545	5 487	4 655	700	700	1 600	6 064	4 655
German mark	2 671	2 243	1 741	—	—	—	—	1 741
British pound	811	1 292	958	—	—	—	321	958
Swiss franc	14 299	12 626	14 954	3 169	1 974	1 747	23 401	14 954
Japanese yen	3 772	4 628	6 379	359	236	449	4 756	6 379
Other	1 730	1 677	2 339	395	361	309	3 898	2 339
International bank credits	**82 074**	**125 922**	**116 964**	**6 622**	**7 293**	**11 993**	**91 164**	**116 964**
Eurocurrency credits	74 222	112 605	110 317	6 089	6 758	11 105	82 755	110 316
Foreign credits	7 852	13 317	6 647	532	535	888	8 409	6 647
Total	**158 403**	**233 333**	**284 720**	**26 815**	**25 507**	**25 855**	**317 556**	**284 719**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1983	1984	1985	1986						1987
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Eurodollar										
overnight	9.50	8.63	12.25	6.25	5.88	5.88	5.75	6.06	22.00	6.00
one month	9.69	8.38	8.00	6.38	5.69	6.00	5.81	6.25	6.50	6.06
three months	9.81	8.63	7.88	6.38	5.56	6.00	5.81	6.00	6.25	6.12
six months	10.06	9.13	7.88	6.38	5.56	6.00	5.81	5.94	6.12	6.12
twelve months	10.38	9.81	7.94	6.50	5.69	6.19	5.88	6.00	6.12	6.12
Euro-Canadian dollar										
one month	9.13	9.88	9.00	8.06	8.06	7.94	8.06	8.19	8.00	7.37
three months	9.50	10.81	9.00	8.31	8.13	8.19	8.31	8.31	8.12	7.37
six months	9.75	10.06	9.00	8.50	8.50	8.50	8.50	8.19	8.19	7.37
twelve months	10.00	10.44	9.00	8.75	8.63	8.75	8.69	8.56	8.31	7.50
Euro-French franc										
one month	12.13	10.69	12.50	7.13	7.13	7.38	7.38	7.56	10.12	8.81
three months	12.19	10.69	13.00	7.19	7.25	7.88	7.19	8.19	10.37	8.87
six months	12.31	11.00	13.13	7.25	7.31	7.75	7.88	8.37	9.75	8.81
twelve months	12.63	11.38	12.25	7.31	7.38	8.63	7.88	8.37	8.75	8.81
Euromark										
one month	5.25	5.50	4.75	4.63	4.44	4.50	4.44	4.69	5.12	4.00
three months	5.88	5.50	4.75	4.56	4.31	4.50	4.50	4.62	4.87	4.12
six months	6.13	5.56	4.75	4.56	4.31	4.56	4.56	4.69	4.81	4.12
twelve months	6.38	5.56	4.81	4.63	4.31	4.63	4.63	4.69	4.81	4.19
Euro-Dutch guilder										
one month	5.81	5.69	5.75	5.56	5.25	5.31	5.31	5.81	6.31	5.44
three months	6.00	5.75	5.75	5.44	5.13	5.25	5.31	5.69	6.00	5.31
six months	6.25	5.81	5.81	5.38	5.06	5.25	5.31	5.56	5.87	5.19
twelve months	6.38	5.94	5.88	5.38	5.06	5.25	5.31	5.56	5.81	5.19
Euro-Swiss franc										
one month	3.38	4.44	3.88	4.63	4.19	3.81	2.94	3.87	3.94	3.25
three months	3.75	4.56	4.00	4.63	4.13	4.06	3.75	3.87	3.94	3.19
six months	3.94	4.63	4.00	4.63	4.13	4.06	3.75	3.87	3.87	3.31
twelve months	3.94	4.69	4.06	4.63	4.13	4.06	3.81	3.87	3.87	3.62
Eurosterling										
one month	9.13	9.50	11.69	9.94	10.00	10.50	10.81	11.06	11.12	11.06
three months	9.31	9.88	11.81	9.94	9.81	10.19	11.13	11.37	11.12	11.00
six months	9.50	10.00	11.81	9.88	9.63	10.75	11.13	11.37	11.06	10.87
twelve months	9.81	10.19	11.69	9.94	9.56	10.81	11.06	11.37	11.06	10.75
Euroyen										
one month	6.25	6.19	7.13	4.75	5.13	4.94	4.25	4.62	4.56	4.37
three months	6.31	6.19	6.56	4.75	4.75	4.88	4.56	4.50	4.50	4.25
six months	6.38	6.13	6.50	4.69	4.63	4.88	4.56	4.50	4.37	4.12
twelve months	6.44	6.13	6.38	4.69	4.63	4.88	4.56	4.50	4.31	4.06
European currency unit										
one month	8.81	9.25	9.63	7.25	7.25	7.25	7.44	7.56	8.56	7.62
three months	9.19	9.38	9.63	7.19	7.06	7.25	7.56	7.62	8.44	7.56
six months	9.44	9.50	9.63	7.19	6.88	7.25	7.50	7.62	8.06	7.50
twelve months	9.63	9.63	9.63	7.13	6.88	7.25	7.50	7.56	7.31	7.50

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years
at or near end of month

	1984	1985	1986							1987
	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States companies										
Eurodollar	11.25	9.68	9.09	8.97	8.60	9.04	8.76	8.71	8.67	8.70
Euromark	6.95	6.73	6.65	6.55	6.55	6.73	6.66	6.63	6.62	6.64
Swiss franc	5.73	5.49	5.63	5.56	5.63	5.65	5.67	5.73	5.70	5.67
European governments										
Eurodollar	12.04	10.52	10.00	9.97	9.73	9.92	9.85	9.81	9.91	9.85
Euromark	7.39	7.03	6.95	6.81	6.64	6.63	6.78	6.88	6.77	6.64
Swiss franc	5.24	4.91	4.76	4.73	4.66	4.61	4.57	4.58	4.51	4.40
European currency unit	10.64	10.23	10.31	10.02	10.17	10.23	10.49	10.55	10.20	10.38

Central bank discount rates

at or near end of month

	1983	1984	1985	1986				1987	Current	
	Dec	Dec	Dec	Sep	Oct	Nov	Dec	Jan	Feb 23 1987	effective since
United States	8.50	8.00	7.50	5.50	5.50	5.50	5.50	5.50	5.50	Aug 21, 86
Canada	9.96	10.09	9.49	8.60	8.55	8.49	8.47	7.49	7.59	Feb 19, 87
Austria	3.75	4.50	4.00	4.00	4.00	4.00	4.00	3.50	3.50	Jan 23, 87
Belgium	10.00	11.00	9.75	8.00	8.00	8.00	8.00	8.50	8.50	Jan 8, 87
Denmark	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	9.50	9.50	9.00	7.00	7.00	7.00	7.00	7.00	7.00	May 19, 86
France	9.50	9.50	9.50	9.50	9.50	9.50	9 50	9.50	9.50	Aug 31, 77
Germany	4.00	4.50	4.00	3.50	3.50	3.50	3 50	3.00	3.00	Jan 23, 87
Ireland	12.25	14.00	10.25	10.00	13.25	13.25	13 25	13.25	13.25	Oct 24, 86
Italy	17.00	16.50	15.00	12.00	12.00	12.00	12 00	12.00	12.00	May 27, 86
Netherlands	5.00	5.00	5.00	4.50	4.50	4.50	4.50	4.50	4.50	Mar 7, 86
Norway	8.00	8.00	8.00	8.00	8.00	8.00	8.00	n.a.	n.a.	Jun 6, 83
Portugal	25.00	25.00	19.00	14.50	14.50	14.50	16 00	15.50	15 50	Jan 7, 87
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	8.50	9.50	10.50	7.50	7.50	7.50	7.50	7 50	7.50	Sep 19, 86
Switzerland	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50	3.50	Jan 22, 87
United Kingdom	9.00	9.38	11.31	9.81	10.81	10.81	10.81	10.81	10.81	Oct 15, 86
Japan	5.00	5.00	5.00	3.50	3.50	3.00	3.00	3.00	2.50	Feb 23, 87
New Zealand	7.50	13.50	19.80	15.70	16.50	n.a.	n.a.	n a.	17.40	Nov 13, 86
South Africa	18.50	21.75	13.50	10.50	10.50	10.50	10.00	10.00	10.00	Dec 10, 86
Argentina*	15.10	18.19	5.00	9.79	10.59	10.59	11.19	11.53	11.53	Jan 30, 87
Korea	5.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00	Jul 10, 86
Philippines	8.05	12.11	11.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Jun, 86
Singapore	7.00	6.75	5.00	5.00	5.00	5.00	5 00	5.00	5.00	Jul, 85
Thailand	13.00	12.00	11.00	8 00	8 00	8.00	8 00	8.00	8.00	Sep 1, 86
Venezuela	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	Mar, 85

*Percent per month.

Day-to-day money rates

monthly averages

	1983	1984	1985	1986							1987
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	9.47	8.38	8.27	6.91	6.55	6.16	5 92	5.84	5.64	6.71	6.43
Canada	8.78	10.50	9.23	8.19	8.38	8.10	8.10	8.38	8.52	8.28	8.03
Austria	5.75	7.63	7.25	4.88	5.13	5.13	5 50	5.37	5.00	7.62	4.25
Belgium	7.39	9.12	6 60	5.18	6.34	6.37	5.76	6.36	6.00	5.47	7.47
Finland	16.70	15.07	11.96	10.83	10.80	24.17	13.86	11.93	11.80	11 97	11.99
France	12.27	10.95	9.01	7.22	7.28	7.05	7.08	7.31	7.31	7 28	8.80
Germany	5.61	5.62	4.84	4.39	4.61	4.51	4.38	4.38	4.58	5.04	4.01
Ireland	12.19	14.50	9.62	9.50	9.63	9.75	9 63	11.00	13.13	13 00	n.a.
Italy	17.88	17.25	14.75	12.34	12.11	11.78	11.25	10.98	9.67	11.42	11.88
Netherlands	5.84	5.60	5.75	6.06	6.13	5.56	5.31	5.38	5.60	6.19	6.20
Norway	12.30	12.50	12.40	14.00	14.00	14.00	14.00	14.00	n.a.	n.a.	n.a.
Spain	16.98	12.18	9 92	12.03	12.26	12.34	11.58	11.68	11.69	11.76	12.21
Sweden	11.52	11.88	11.83	9.88	9.56	9.52	8 92	10.00	10.00	8.00	12.00
Switzerland	1.88	1.50	2.00	1.75	2.25	2.00	2.00	1.00	1.00	1.12	1.00
United Kingdom	7.78	6.31	9.72	10.53	8.98	8.70	8.06	11.19	10.73	9.19	11.06
Australia	4.55	10.98	18.37	13.20	13.43	16.42	17.22	17.13	16.47	15.40	15.86
Japan	6.44	6.41	8.02	4.39	4.50	4.55	4.60	4.37	3.77	4.34	4.17
South Africa	16.06	21.13	12.50	10.69	10.75	9.81	9.63	9.63	8.87	8.50	9.00
Argentina*	14.65	17.75	4.50	5.00	5.00	7.00	6.00	7.00	7.00	7.00	7.00
Brazil	184.69	272.02	352.23	18.30	25.93	35.60	45.58	44.24	55.55	83.05	270.00
Hong Kong	13.90	6.80	6.10	6.91	5.95	5.64	4.93	3.21	4.15	3.90	n.a.
Korea	11.40	10.00	8.80	10.00	10.60	9.30	9.50	9.30	9.30	9.00	8.50
Philippines	31.18	15.22	15.03	11.61	10.16	8.99	11.72	8.42	7.98	n.a.	n.a.
Singapore	7.05	6.01	4.53	4.49	3.73	3.95	2.26	2.47	2.62	3.51	3.10
Taiwan	7.65	8.07	4.50	4.53	3.50	3.50	3.50	3.50	3.60	3.00	3.25

*Percent per month.

Treasury bill rates

bond equivalent yields, at or near end of month

	1983	1984	1985	1986							1987
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	9.28	7.99	7.25	6.13	5.93	5.23	5.30	5.25	5.44	5.73	5.66
Canada	9.71	9.84	9.24	8.59	8.26	8.33	8.35	8.30	8.24	8.22	7.24
Belgium	11.00	10.90	9.89	7.45	7.45	7.45	7.45	7.48	7.45	7.50	7.88
Ireland	12.01	15.10	11.15	9.16	10.13	10.65	10.61	13.79	14.22	13 60	n.a.
Italy	16.29	14.19	12.70	10.50	10.44	10.13	10.34	10.13	10.00	10 00	9.94
Netherlands	5.63	5.88	5.69	5.88	5.75	4.75	5.63	5.38	5.81	6.37	5.94
Spain	14.46	12.00	9.25	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.
Sweden	11.75	11.83	12.49	9.85	9.29	9.25	8 66	8 44	9 05	9.20	10.25
United Kingdom	9.04	9.33	11.49	9.52	9.76	9.56	9.93	10.85	10.96	10.75	10.56
Australia	8.54	12.27	19.40	12.38	14.98	17.20	17.51	16.18	15.49	14 91	16.64
Japan	4.91	4.91	4.91	3.39	3.39	3.39	3.39	3.39	2.89	2.89	2.89
New Zealand	7.80	13.50	17.62	15.64	15 35	16 53	15.36	16.00	16.44	19.69	22.36
South Africa	18.43	21.94	12.99	10.75	10.22	9.51	9.20	9.17	8.62	8.84	8.77
Brazil	179.15	273.03	379.77	18.60	26.30	36.00	42.00	45.00	33.00	149.00	276.40
Mexico	53.78	48.67	72.98	88.50	n.t.	n.t.	n.t.	n t.	103.77	104.03	104.64
Philippines	15.99	47.14	16.45	14.67	14.59	13,00	12.75	12.58	11.32	n.a.	n.a.
Singapore	2.59	2.91	2.94	2.42	2.54	2.15	2.01	1.99	1.93	2.10	2.19

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1983	1984	1985	1986							1987
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	9.89	8.34	8.01	6.80	6.39	5.65	5.96	5.81	5.79	7.78	6.76
Canada	9.87	10.10	9.45	8.65	8.55	8.35	8.50	8.50	8.35	8.20	7.55
Belgium	11.15	10.85	9.89	7.40	7.40	7.40	7.35	7.35	7.40	7.60	7.55
France	12.19	10.69	9.12	7.24	7.25	7.13	7.43	7.50	7.68	8.37	8.50
Germany	6.30	5.75	4.80	4.55	4.65	4.30	4.40	4.60	4.65	4.85	3.90
Ireland	12.19	15.13	12.00	9.25	10.75	10.63	11.25	14.00	14.44	14.06	n.a.
Italy	17.88	16.88	15.13	12.25	11.38	11.00	10.62	11.00	11.12	11.37	11.38
Netherlands	6.00	5.75	5.75	6.19	5.56	5.25	5.44	5.44	5.81	6.19	5.44
Portugal	24.11	24.57	20.71	16.89	15.95	16.05	15.92	15.99	15.99	16.07	15.02
Spain	19.00	12.21	10.51	12.06	12.51	12.18	11.53	11.41	11.52	11.79	12.35
Switzerland	3.88	5.00	4.75	5.50	4.88	4.25	4.25	4.19	4.00	4.50	3.75
United Kingdom	9.31	9.88	12.75	9.75	9.88	9.63	10.38	11.13	11.44	11.25	11.13
Australia	9.05	12.90	19.75	14.80	15.10	17.70	17.85	16.45	15 85	15.10	16.42
Japan	6.45	6.33	7.03	4.64	4.65	4.53	4.75	4.54	4.43	4.34	4.22
New Zealand	11.75	15.00	20 00	17.10	16.80	16.30	16.50	16.50	16.50	24.25	23.60
South Africa	19.12	22.78	13.35	10.80	10.55	9.35	9.55	9.65	8.90	8.55	9.20
Chile	20.68	20.68	22.42	14.03	15.39	11.35	12.68	20.98	n.a.	n.a.	n.a.
Hong Kong	14.88	8.25	6.50	6.75	6.31	5.00	5.25	4.38	4.44	4.62	n.a.
Indonesia	19.50	19.00	15.00	15.00	15.00	14.00	14.50	14.25	14 50	19.50	16.50
Korea	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.80	10.30	8.20	10.00	9.80	11.75	12.00	9.50	6.70	6.00	5.30
Philippines	15.61	33.21	14.61	12.28	12.47	11.76	9.89	11.19	10.31	n.a.	n.a.
Singapore	8.44	7.00	5 88	4.88	4.31	3.94	3.25	2.94	3.19	3.94	3.34
Taiwan	8.07	7.85	4.10	3.68	3.27	2.81	2.65	2.65	2 80	n.a.	n.a.
Thailand	16.00	12.00	15.50	8.50	8.00	8.00	7.50	7.50	7.75	7.75	7.75

Commercial bank deposit rates

at or near end of month

	1983	1984	1985	1986						1987
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	9.70	8.35	7.75	6.65	6.33	5.47	5.80	5.75	5.78	6.30	6.00
Canada	9.82	10.05	9.40	8.60	8.50	8.30	8.45	8.45	8.30	8.15	7.50
Austria	6.50	7.50	6.50	5.13	5.13	5.13	5 75	5 62	5.37	5 50	5.12
Belgium	11.25	10.63	9.63	7.19	7.25	7.19	7.25	7.31	7 37	7.44	7.75
Denmark	6.00	6.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Finland	5.25	5.25	4.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
France	7.66	7.04	6.12	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Germany	5.90	5.25	4.40	4.35	4.45	4.45	4.40	4.50	4.60	4.80	4.70
Ireland	11.75	14.63	11.87	10.00	10.00	10.00	10.50	12.00	14.13	13.75	n.a.
Italy	13.25	11.64	11.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Netherlands	6.13	5.69	5.81	6.06	5.44	5.19	5.31	5.31	5.69	6 06	5.31
Norway	12.75	12.75	12.00	13.00	13.00	13.00	13.00	13.00	n.a.	n a.	n.a.
Portugal	21.50	28.00	20.00	15.50	15.50	15.50	15.50	15.00	15.00	15.00	15.00
Spain	12.62	11.64	9.64	9.04	8.89	8.89	8.78	8.75	8.65	8.67	n.a.
Sweden	11.70	11.45	12.18	10.10	9.80	9.70	9 27	8.83	9.85	9 93	10.30
Switzerland	3.50	4.50	4.50	5.25	4.63	4.00	4.00	3.94	3.75	4.25	3.50
United Kingdom	9.31	9.88	11.75	9.63	9.88	9.63	10.37	11.13	11.25	11 19	11.00
Australia	10.40	12.75	18.80	14.00	14.46	16.68	17.82	16.71	15.76	15.56	15.73
Japan	6.40	6.38	7.05	4.65	4.70	4.80	4.95	4.63	4 59	4.55	4.16
New Zealand	11.75	15.25	19.98	15.10	16.47	16.57	15.50	16.60	19.00	23.50	22.72
South Africa	20.13	22.88	13.20	11.00	10.80	9.75	9.50	9.75	9.25	8.65	9.50
Argentina*	14.50	31.23	5.40	4.28	4.48	6.18	6.94	7.65	7 97	8.41	8.81
Brazil	23.00	27.00	18.00	25.00	30.00	42.00	44.00	49.00	85.00	220 00	n.a.
Chile	20.57	20.68	23.60	15.94	16.49	13.62	16.49	20.70	n a.	n.a.	n.a.
Hong Kong	14.88	8.25	6.50	6.75	6.31	5.00	5.25	4.38	4.44	4.62	n.a.
Korea	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	7.75	9.58	7.00	7.00	7.00	7.00	7.00	7.00	6.50	6.33	4.83
Mexico	57.15	47.45	72.90	85.50	87.50	87.50	94.30	94.30	94.30	94.30	94.30
Philippines	14.96	31.01	12.34	11.56	10.12	10 88	9.77	9.35	9.55	n.a.	n.a.
Singapore	7.44	6.13	5.26	4.82	4.26	3.88	3.19	2.88	3.13	3.63	3.19
Taiwan	7.00	6.50	5.25	4.50	4.50	4.25	4.50	4.00	4.00	4.00	4.00
Thailand	10.00	13.00	10.50	8.50	7.50	6.75	6.75	6.75	6.75	6.75	6.75
Venezuela	12.00	12.50	8.00	9.00	9.00	9.00	8.00	8.00	8.00	8.00	8.00

*Percent per month.

Domestic government bond yields

long-term issues, at or near end of month

	1983	1984	1985	1986						1987
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	12.00	11.61	9.49	7.79	7.88	7.51	7.95	7.81	7.69	7.79	7.17
Canada	12.02	11.66	10.04	9.42	9.36	9.16	9.44	9.53	9.26	9.23	8.94
Austria	8.02	8.04	7.61	7.19	7.20	7.11	7.06	7.25	7.36	7.33	7.25
Belgium	11.89	11.58	9.60	7.86	7.47	7.24	7 36	7.31	7.41	7.70	7.57
Denmark	12.96	14.60	9.67	10.17	10.64	11.24	11.11	11.16	11.80	11.70	11.33
Finland	11.16	10.73	10.58	8.27	8.25	8.15	7.75	7.90	7.74	7.80	7.78
France	13.96	12.70	11.33	8.65	8.55	8.05	8 51	8 97	9.49	9.89	9.54
Germany	8.38	7.17	6.57	6.17	6.07	5.95	6.26	6.44	6.33	6.25	6.20
Ireland	14.25	14.90	11.84	9.31	10.33	11.33	12.46	13 65	13.49	13.97	n.a.
Italy	17.69	14.52	13.66	10.83	11.06	10.81	10.43	10.26	10.33	10.06	9 78
Netherlands	8.58	7.72	6.96	6.38	6.22	6.03	6.04	6.22	6.30	6.40	6.21
Norway	12.50	12.00	13.10	13.10	13.42	13.40	13.40	13.40	n.a.	n.a.	n.a.
Portugal	22.11	22.23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n a.	n.a.	n.a.
Spain	17.25	13.93	12.30	10.98	11.52	11.52	11.10	10.15	10.29	10.36	10.74
Sweden	12.30	12.04	12.11	9.79	9.76	9.63	9 49	9.31	10.35	10.66	11.70
Switzerland	4.53	4.60	4.42	4.43	4.39	4.26	4.26	4.19	4.16	4.05	4.02
United Kingdom	9.94	10.25	10.35	9.32	9.45	9.31	10.31	10.40	10.58	10.17	10.64
Australia	13.65	13.50	14.85	12.95	14.02	14.10	13.85	13.60	13.60	13.40	13.75
Japan	7.45	6.47	5.92	4.90	4.83	4.57	4.65	4.95	4.77	4.66	4.23
New Zealand	10.50	16.90	17.00	15.40	16.20	15.90	15.35	15.20	16.00	15.85	16.20
South Africa	13.64	16.55	18.09	16.99	16.00	14.03	15.24	15.83	14.13	15.06	15.33
Philippines	14.47	18.54	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.a.	n.a.
Venezuela	13.50	14.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1983	1984	1985	1986							1987
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	11.00	10.75	9.50	8.50	8.00	7.50	7.50	7.50	7.50	7.50	7.50
Canada	11.00	11.25	10.00	10.25	9.75	9.75	9.75	9.75	9.75	9.75	9.25
Austria	9.25	9.25	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Belgium	13.75	14.00	11.50	9.75	9.75	9.75	9.75	9.75	9.75	9.75	10.75
Denmark	10.00	10.50	8.50	7.50	7.50	8.00	8.00	8.00	8.00	8.00	9.50
Finland	10.18	10.68	10.37	8.82	8.76	8.79	8.77	8.75	8.74	8.81	n.a.
France	12.25	12.00	10.60	9.60	9.60	9.60	9.45	9.45	9.45	9.45	9.45
Germany	7.75	7.75	7.25	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Ireland	13.75	15.75	12.50	12.25	12.25	12.25	12.25	15.75	15.75	15.75	n.a.
Italy	18.75	18.00	15.88	13.50	13.50	13.50	13.00	13.00	13.00	13.00	13.00
Netherlands	7.00	6.25	6.25	6.75	6.50	5.88	5.88	5.88	6.12	7.12	6.13
Norway	13.50	13.00	12.40	15.50	15.25	15.25	15.75	15.88	n.a.	n.a.	n.a.
Portugal	30.00	29.00	22.50	18.00	18.00	18.00	18.00	17.50	17.50	17.50	17.50
Spain	17.31	15.84	14.75	14.44	14.37	14.36	14.29	14.25	14.23	14.22	14.24
Sweden	13.50	14.50	15.05	12.75	12.75	12.75	11.50	11.50	11.50	11.50	11.50
Switzerland	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.25
United Kingdom	9.00	9.50	11.50	10.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00
Australia	12.75	14.00	21.00	18.00	17.25	18.50	19.00	19.00	18.45	18.25	18.00
Japan	5.89	5.70	5.71	4.71	4.57	4.52	4.48	4.48	4.45	n.a.	n.a.
New Zealand	11.00	14.00	21.00	18.00	17.00	16.50	17.00	17.00	18.50	18.50	24.00
South Africa	20.00	24.00	16.50	14.50	14.50	14.00	13.50	13.50	13.50	12.00	12.50
Argentina*	15.50	32.05	7.30	5.35	5.57	7.70	8.62	8.70	8.85	11.30	9.85
Brazil	24.00	31.00	19.00	27.00	32.00	44.00	46.00	51.00	88.00	250.00	n.a.
Chile	30.90	60.82	33.34	29.38	28.77	26.38	23.51	27.20	n.a.	n.a.	n.a.
Hong Kong	13.50	11.00	7.00	7.50	7.50	6.50	6.50	6.50	6.50	6.50	5.00
Indonesia	19.75	23.50	18.75	19.00	18.75	18.75	18.75	18.25	18.25	19.75	20.50
Korea	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	11.00	12.00	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.00	9.00
Mexico	56.44	47.54	65.66	76.97	81.36	84.40	87.72	91.48	94.19	95.33	95.89
Philippines	18.00	44.00	15.00	14.00	14.00	13.50	13.00	12.00	11.00	10.00	n.a.
Singapore	8.98	9.40	7.20	7.15	7.06	6.83	6.45	6.28	6.10	6.10	6.10
Taiwan	10.25	10.00	9.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Thailand	16.00	16.50	15.50	14.00	12.75	12.00	12.00	12.00	12.00	12.00	12.00
Venezuela	16.00	16.00	13.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00	13.00

*Percent per month.

Domestic corporate bond yields

long-term issues, at or near end of month

	1983	1984	1985	1986							1987
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	12.63	12.25	10.15	9.00	9.25	8.63	9.00	9.00	8.88	8.88	8.50
Canada	12.89	12.42	10.74	10.10	10.19	10.00	10.32	10.39	10.21	10.18	n.a.
France	14.35	12.94	11.76	9.85	9.12	8.37	8.92	9.36	9.77	10.18	9.92
Germany	8.30	7.20	6.90	6.50	6.60	6.40	6.30	6.40	6.60	6.50	6.50
Netherlands	8.51	7.51	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.
Norway	13.25	12.75	14.00	14.25	14.90	15.00	15.50	15.00	n.a.	n.a.	n.a.
Spain	20.07	18.32	14.92	13.71	13.22	13.68	13.38	13.24	13.61	13.40	13.72
Sweden	12.21	12.33	13.25	11.04	10.88	10.99	10.82	10.77	11.72	11.99	13.00
Switzerland	4.92	5.09	4.93	4.83	4.84	4.77	4.77	4.73	4.71	4.72	4.62
United Kingdom	11.57	11.64	11.47	10.32	10.49	10.32	10.34	11.58	11.43	11.71	11.30
Japan	7.09	6.21	6.90	5.14	4.74	5.14	n.a.	n.a.	n.a.	n.a.	n.a.
Korea	14.20	15.00	13.60	12.80	12.90	12.80	12.80	12.80	12.80	12.70	12.70
Venezuela	18.00	18.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00

Key to data in tables

I. International markets

Data on the *international banking market size* are based on resident and nonresident Eurocurrency (i.e., foreign currency) assets and liabilities and on nonresident domestic currency assets and liabilities of banks in nearly all European countres, the Bahamas, Bahrain, Canada, Cayman Islands, Hong Kong, Japan, Netherlands Antilles, Panama, Singapore, and the United States. All assets and liabilities of international banking facilities (IBFs) of banks in the United States are treated as Eurocurrencies.

An *international bond issue* may be either a Eurobond issue or a foreign bond issue. A *Eurobond issue* is one placed principally in countries other than that of the currency in which the bond is denominated, usually through an international syndicate. A *foreign bond issue* is one issued by a nonresident borrower on the market of a single country and denominated in that country's currency. Data on new international bond issue volume include all publicly announced issues of straight bonds, convertibles, bonds with warrants, floating rate notes, and certificates of deposit with an original maturity of three years or more (one year or more beginning in 1985), whether publicly or privately placed.

An *international bank credit* may be either a Eurocurrency credit or a foreign credit. A *Eurocurrency credit* is one denominated in a currency that is foreign to the country of the bank office extending the credit. *A foreign credit* is one extended to a nonresident borrower and denominated in the domestic currency of the country in which the bank office extending the credit is located. Data on new international bank credit volume include all publicly announced bank credits with an original maturity of one year or more (term loans, revolving lines of credit, and facilities to back up the issuance of other financial instruments such as commercial paper, short-term notes, certificates of deposit and banker's acceptances).

Data on international bond issues and bank credits through 1984 were compiled by Morgan Guaranty Trust Company. Beginning in January 1985 these data are based on figures published in the OECD's *Financial Statistics Monthly*.

II. Domestic markets

Central bank discount rates

Rates shown are the official discount rates with the exception of:

Ireland — Short Term Facility rate.

South Africa — discount rate for 90-day banker's acceptances.

United Kingdom — rate of discount for outright purchases of 15- to 33-day bank bills.

Day-to-day money rates

Argentina—7-day interbank money regulated by the central bank.

Austria — day-to-day interbank rate.

Australia — effective interest rate in the official short-term money market.

Belgium — day-to-day loan rate in the call money market.

Brazil — interbank overnight money.

Canada—chartered banks' day-to-day loans.

Finland — Bank of Finland call money.

France — interbank call money against private paper.

Germany — interbank call money.

Hong Kong — interbank 24-hour call rate.

Ireland — interbank call money.

Italy — interbank 48-hour call money.

Japan—Tokyo interbank call money, unconditional lenders rate.

Korea — overnight interbank call money.

Netherlands — open-market call money.

Norway — day-to-day interbank rate.

Philippines — interbank call loan rate.

Singapore — interbank overnight money.

South Africa — discount houses basic call rate.

Spain — day-to-day interbank rate.

Sweden — interbank call money.

Switzerland — call money.

Taiwan — private interbank overnight loan rate.

United Kingdom — call money.

United States — federal funds rate.

Treasury bill rates

Australia — 13-week Treasury notes at tender.

Belgium — new issue of 3-month Treasury certificates.

Brazil — 3-month Treasury bills.

Canada — 3-month Treasury bills at tender.

Ireland — 3-month central bank exchequer bills at tender.

Italy — 6-month Treasury bills.

Japan — 60- to 62-day noninterest-bearing discount government bills.

Mexico — 3-month Federal Treasury bills.

Netherlands — 3-month Treasury bills.

New Zealand — tap issue rate for 3-month Treasury bills until December 1984. As of January 1985, 3-month Treasury bills at tender.

Philippines — simple average of 91-day Treasury bills at tender until June 1984. Beginning July 1984 rates refer to the weighted average interest rate on 91- to 183-day Treasury bills sold to banks under negotiated basis.

Singapore — 91-day Treasury bills at tender.

South Africa — 3-month Treasury bills at tender.

Spain — 6-month Treasury bills at tender until March 1984. As of April 1984, 3-month Treasury bill repos reported by the Bank of Spain (average of quotations during the month).

Sweden — new issues of 3-month Treasury bills until June 1982. New series as of July 1982, 6-month Treasury discount notes, market rate.

United Kingdom — 91-day Treasury bills at tender.

United States — 3-month Treasury bills.

Representative money-market rates

Australia — buying rate for 90-day bank accepted commercial bills.

Belgium — 4-month Fonds des Rentes certificates.

Canada — 3-month prime finance company paper.

Chile — central bank 60-day fixed rate promissory notes (PDBC) at tender.

France — 3-month interbank money against private paper.

Germany — 3-month interbank deposits.

Hong Kong — 3-month interbank deposits.

Indonesia — 1-month interbank deposits.

Ireland — 3-month interbank deposits.

Italy — 3-month interbank deposits.

Japan — 3-month "gensaki" rate.

Korea — 3-month financial bill.

Malaysia — 3-month interbank deposits.

Netherlands — 3-month interbank deposits.

New Zealand — 90-day commercial bills.

Philippines—weighted average interest rate for 90-day promissory rates.

Portugal — average of 30- to 90-day interbank deposits.

Singapore — 3-month banker's acceptances.

South Africa—90-day banker's acceptances.

Spain — 3-month interbank rate reported by the Bank of Spain (average of quotations during the month).

Switzerland — 3-month interbank deposits.

Taiwan — 90-day banker's acceptances.

Thailand — interbank call money.

United Kingdom — 3-month interbank deposits.

United States — 3-month prime industrial paper.

Commercial bank deposit rates

Argentina — nominal 30-day time deposits. Average of bank rates published by the central bank until August 1984. New series as of September 1984, 30-day acceptances maximum interest rate.

Austria — 3-month time deposits.

Australia — 3-month certificates of deposit.

Belgium — special maximum rate for 3-month time deposits in large amounts.

Brazil — 6-month certificates of deposit with prefixed yields until July 1982. New series as of August 1982, 6-month certificates of deposit reported as a spread above monetary correction which is set every month in relationship to inflation.

Canada — 3-month time deposits.

Chile — 30-day time deposits.

Denmark — time deposits of 3-months' notice.

Finland — time deposits of six-month notice.

France — 3-month time deposits of FF. 1,000,000.

Germany — 3-month time deposits in large amounts.

Hong Kong — negotiable 3-month time deposits of more than HK$500,000.

Ireland — 3-month deposits.

Italy — 3-month time deposits of Lit. 100 million or more.

Japan — 90-day negotiable certificates of deposit issued by the Tokyo office of Morgan Guaranty Trust Company.

Korea — 3-month time deposits.

Malaysia — 3-month time deposits.

Mexico — 3-month certificates of deposit until September 1983. New series as of October 1983, 3-month promissory notes.

Netherlands — 3-month time deposits in large amounts.

New Zealand — 6-month transferable certificates of deposit.

Norway — 3-month special term deposits.

Philippines — weighted average interest rates on 60- to 90-day time deposits of sample commercial banks.

Portugal — 90- to 180-day time deposits until May 1984. New series as of June 1984, 180-day to one-year time deposits.

Key to data in tables — continued

Singapore — 3-month certificates of deposit.
South Africa — 3-month negotiable certificates of deposit.
Spain — deposits over 6 months and less than 1 year for Pts. 1 million or more reported by the Bank of Spain.
Sweden — 3-month certificates of deposit.
Switzerland — 3-month time deposits.
Taiwan — maximum rate for 3-month time deposits.
Thailand — 3-month time deposits.
United Kingdom — 3-month time deposits.
United States — 3-month negotiable certificates of deposit issued by Morgan Guaranty Trust Company.
Venezuela — 6-month negotiable certificates of deposit for domestic depositors only.

Domestic government bond yields

Austria — Austrian National Bank average yield on all outstanding government bonds.
Australia — secondary market yield for 10-year Treasury bonds.
Belgium — Belgium National Bank secondary market average yield on central government bonds of more than 5 years' maturity quoted on Brussels Stock Exchange.
Canada — Bank of Canada average yield on all direct government bonds due or callable in 10 years or more.
Denmark — 12% serial bonds maturing 2001 until April 1983. New series as of May 1983, 10% serial bonds maturing 2004.
Finland — rate of interest at issue on central government bonds intended for public subscription, weighted by sales of bonds in the latter half of each month.
France — INSEE secondary market weighted average yield of public sector bonds with a remaining maturity of 10 years or more.
Germany — Frankfurter Allgemeine Zeitung 10-year public authority bond average.
Ireland — 15-year government bonds.
Italy — average yield on fixed-interest government bonds, not including irredeemable bonds, weighted by the amounts in circulation, for maturities of 9 years or more.
Japan — secondary market average yield on longest-term life government bonds as quoted by the Securities Dealers Association of Japan.
Netherlands — Central Bureau of Statistics (CBS) average yield on three latest government bonds.
New Zealand — average yield on government bonds maturing after 5 years.
Norway — 5% government bond of 1996 until December 1982. New series as of January 1983, average yield of long-term government bonds.
Philippines — weighted average interest rate of outright sales on secondary transactions for central bank certificates of indebtedness.
Portugal — yield of 4% Centenary Loan of 1940.
South Africa — 25-year government bonds until August 1983; 20-year Republic of South Africa bonds until April 1984; new series as of May 1984, secondary market yield for the 13% due 2005 Republic of South Africa bond.
Spain — Bank of Spain secondary market weighted average yield of several central government issues with more than 2 years' maturity (average of quotations during the month).
Sweden — 15-year government bonds until October 1983. New series as of November 1983, 5-year government bond yield index, market rate.
Switzerland — Swiss Confederation bond average.
United Kingdom — F.T. (*Financial Times*) Actuaries 25-year government stock.
United States — Morgan Guaranty 20-year U.S. Government Bond Index.
Venezuela — Banco Central average yield on public-sector bond issues.

Commercial bank lending rates to prime borrowers

Argentina — average rate on 30-day loans.
Austria — overdraft rate for prime borrowers, including commission.
Australia — overdraft rate. Maximum indicator rate applying to loans of A$100,000 or more for major trading banks.
Belgium — prime overdraft rate.
Brazil — prefixed rate applied to working capital loans until July 1982; monetary-corrected free rate applied to working capital loans from August 1982 to July 1983. New series as of August 1983, maximum legal rate reported as a spread above monetary correction which is set every month in relationship to inflation. Charges for fees and commissions are often added.
Canada — prime rate.
Chile — average prime rate of six major commercial banks.
Denmark — approximate rate for loans and advances to prime borrowers.
Finland — average rates on total commercial bank lending.
France — base lending rate, excluding a commission of .05% per month on highest debit balance during the month. A spread above base rate is often added.
Germany — approximate effective overdraft rate for prime borrowers.
Hong Kong — prime lending rate set by the Hong Kong Association of Banks.
Indonesia — prime rate for domestic affiliates of foreign companies.
Ireland — AA corporate borrowing rate.
Italy — unsecured overdraft rate for prime borrowers.
Japan — average contracted interest rate for short-term loans of city banks. In addition, compensating balances may be required.
Korea — prime rate.
Malaysia — Bank of Commerce Berhad base lending rate.
Mexico — base rate or average cost of money for banks determined monthly by the Banco de Mexico S.A.
Netherlands — overdraft rate for prime borrowers, including commission.
New Zealand — overdraft rate for prime borrowers.
Norway — overdraft rate, including a commission of .25% per quarter on the total line of credit until January 1983. New series as of February 1983, special rate of first class, large borrowers.
Philippines — prescribed administrative ceiling for unsecured loans with maturities of 365 days and below, including charges until December 1982. New series as of January 1983, modal rate to prime borrowers.
Portugal — maximum rate for 90- to 180-day loans.
Singapore — most common overdraft rate, major banks.
South Africa — unsecured overdraft rate for prime borrowers.
Spain — private banks' average interest rate for 1-year loans reported by the Bank of Spain.
Sweden — overdraft rate for prime industrial borrowers, commission not included.
Switzerland — unsecured overdraft rate for prime borrowers, excluding commission of .25% per quarter on average or highest outstanding debit balance in quarter.
Taiwan — maximum rate for 3- to 12-month secured loans. Rate is an indication only and may vary from actual bank lending rate which is subject to volatile interbank rates.
Thailand — prime rate.
United Kingdom — clearing bank base lending rate. A spread above base rate is often added.
United States — prime rate of Morgan Guaranty Trust Company.
Venezuela — representative rate for domestic prime borrowers only.

Domestic corporate bond yields

Canada — McLeod, Young, Weir Co. Ltd., weighted long-term bond yield index for AA corporates.
France — INSEE secondary market weighted average yield of private company bonds with a remaining maturity of 10 years or more.
Germany — Bundesbank secondary market weighted average yield of industrial bonds with a remaining maturity of more than 3 years.
Japan — secondary market yield for NTT bond maturing March 1987.
Korea — average of yields on corporate bonds guaranteed by local banks, with an original maturity of 3- 2- 5-years.
Netherlands — CBS average yield on three 6%-6.5% corporate bonds until December 1981. As of January 1982, CBS secondary market weighted average yield on all commercial bank issues with a quotation between 92% and 103%.
Norway — 5.75% Dalen Portland-Cement bond of 1969-1984 until December 1982. New series as of January 1983 average yield of long-term industrial bonds.
Spain — Bank of Spain seconary market weighted average yield of several corporate issues with more than 3 years' maturity (average of quotations during the month).
Sweden — Central Satistical Bureau average yield on industrial bonds.
Switzerland — average yield on outstanding bonds of four leading Swiss companies. Mixture changed as of January 1982.
United Kingdom — *Financial Times* secondary market average yield of industrial and financial company debentures and loan stocks with an average of 25 years to maturity.
United States — Salomon Brothers index of new issues yields for Aa industrial bonds with five-year call protection.
Venezuela — average of yields on 15-year bond issues of Electricidad de Caracas.

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